

**REPORT OF THE AUDIT OF THE  
UNION COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2012**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Jody L. Jenkins, Union County Judge/Executive

Members of the Union County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Union County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Union County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE UNION COUNTY FISCAL COURT**

**June 30, 2012**

Tichenor & Associates, LLP has completed the audit of the Union County Fiscal Court for fiscal year ended June 30, 2012.

We have issued unqualified opinions, based on our audit, on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information financial statements of Union County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$31,474,255 as of June 30, 2012. The fiscal court had unrestricted net assets of \$7,940,155 in its governmental activities as of June 30, 2012, with total net assets of \$31,468,305. In its business-type activities, total net cash and cash equivalents were \$5,950 with total net assets of \$5,950. The fiscal court had total debt principal as of June 30, 2012 of \$1,380,000 with \$190,000 due within the next year.

#### **Deposits:**

As of June 30, 2012 the fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**TICHENOR & ASSOCIATES, LLP**  
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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Union County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Union County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds information of Union County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2012 on our consideration of Union County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

November 9, 2012

UNION COUNTY OFFICIALS

For The Year Ended June 30, 2012

**Fiscal Court Members:**

Jody L. Jenkins	County Judge/Executive
Gary Day	Magistrate
Jerri Floyd	Magistrate
Chuck Voss	Magistrate
Joe Wells	Magistrate
Joe Clements	Magistrate

**Other Elected Officials:**

Brucie Moore	County Attorney
Cathy Smith	Jailer
Trey Peak	County Clerk
Sue Beaven	Circuit Court Clerk
Mickey Arnold	Sheriff
Clay Wells	Property Valuation Administrator
Steven Shouse	Coroner

**Appointed Personnel:**

Lissa Gibson	County Treasurer
Vicki O'Nan	Finance Officer

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**UNION COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**



**UNION COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,988,675	\$ 5,950	\$ 6,994,625
Total Current Assets	6,988,675	5,950	6,994,625
Noncurrent Assets:			
Receivables	999,751		999,751
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	578,485		578,485
Buildings	4,311,914		4,311,914
Other Equipment	454,430		454,430
Vehicles and Equipment	950,893		950,893
Infrastructure	18,564,157		18,564,157
Total Noncurrent Assets	25,859,630		25,859,630
Total Assets	32,848,305	5,950	32,854,255
<b>LIABILITIES</b>			
Noncurrent Liabilities:			
Due Within One Year	190,000		190,000
Due In More Than One Year	1,190,000		1,190,000
Total Noncurrent Liabilities	1,380,000		1,380,000
Total Liabilities	1,380,000		1,380,000
<b>NET ASSETS</b>			
Invested in Capital Assets			
Net of Related Debt	23,479,879		23,479,879
Restricted For:			
Protection to Persons and Property	121,386		121,386
Debt Service	37,939		37,939
Unrestricted	7,829,101	5,950	7,835,051
Total Net Assets	\$ 31,468,305	\$ 5,950	\$ 31,474,255

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**

**UNION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,616,363	\$ 20,112	\$ 21,689	\$ 77,394
Protection to Persons and Property	1,718,534	296,533	345,381	
General Health and Sanitation	368,278	66,349	144,450	27,557
Social Services	208,756			
Recreation and Culture	494,867	67,398	73,763	305,243
Roads	2,449,141		2,677,209	2,249,456
Bus Service	73,763			
Interest On Long Term Debt	137,605			
Capital Projects	714,133			
Total Governmental Activities	8,781,440	450,392	3,262,492	2,659,650
Business-type Activities:				
Jail Canteen	120,701	93,768		
Total Business-type Activities	120,701	93,768		
Total Primary Government	\$ 8,902,141	\$ 544,160	\$ 3,262,492	\$ 2,659,650

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Property Taxes

Occupational Taxes

Other Taxes

In Lieu Tax Payments

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**UNION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2012**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,497,168)	\$	\$ (2,497,168)
(1,076,620)		(1,076,620)
(129,922)		(129,922)
(208,756)		(208,756)
(48,463)		(48,463)
2,477,524		2,477,524
(73,763)		(73,763)
(137,605)		(137,605)
(714,133)		(714,133)
(2,408,906)		(2,408,906)
	(26,933)	(26,933)
	(26,933)	(26,933)
(2,408,906)	(26,933)	(2,435,839)
432,774		432,774
171,614		171,614
160,817		160,817
1,002,566		1,002,566
437,109		437,109
291,248		291,248
274,164		274,164
184,407		184,407
13,855		13,855
2,968,554		2,968,554
559,648	(26,933)	532,715
30,908,657	32,883	30,941,540
\$ 31,468,305	\$ 5,950	\$ 31,474,255

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**

**UNION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,254,855	\$ 1,640,194	\$ 23,269	\$ 3,022,086
Total Assets	<u>2,254,855</u>	<u>1,640,194</u>	<u>23,269</u>	<u>3,022,086</u>
<b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Protection to Persons and Property				111,054
Debt Service				
<b>Unassigned</b>	<u>2,254,855</u>	<u>1,640,194</u>	<u>23,269</u>	<u>2,911,032</u>
Total Fund Balances	<u>\$ 2,254,855</u>	<u>\$ 1,640,194</u>	<u>\$ 23,269</u>	<u>\$ 3,022,086</u>

The accompanying notes are an integral part of the financial statements.

**UNION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2012**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 48,271</u>	<u>\$ 6,988,675</u>
<u>48,271</u>	<u>6,988,675</u>

10,332	121,386
37,939	37,939
<u>          </u>	<u>6,829,350</u>
<u>\$ 48,271</u>	<u>\$ 6,988,675</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 6,988,675
Receivables	999,751
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	55,017,650
Accumulated Depreciation	(30,157,771)
Fiduciary Fund Is Used By Management To Hold Employee Contributions To Health Spending Account. The Assets And Liabilities Are Included In Governmental Activities On The Statement Of Activities.	
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(860,000)
Bonds	<u>(520,000)</u>
Net Assets Of Governmental Activities	<u>\$ 31,468,305</u>

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,982,012	\$	\$	\$
In Lieu Tax Payments	126,169			165,079
Excess Fees	274,164			
Licenses and Permits	13,662	1,050		
Intergovernmental	351,715	2,176,141	314,420	3,280,319
Charges for Services			46,126	133,747
Miscellaneous	20,302	32,020	8,970	144,333
Interest	4,745	4,206	8	4,896
Total Revenues	<u>2,772,769</u>	<u>2,213,417</u>	<u>369,524</u>	<u>3,728,374</u>
<b>EXPENDITURES</b>				
General Government	1,747,380			289,368
Protection to Persons and Property	105,658		838,718	482,028
General Health and Sanitation	188,457			179,821
Social Services	1,952			386,880
Recreation and Culture				472,881
Roads		2,004,840		
Bus Service				73,763
Debt Service	151,924			
Capital Projects		156,631		557,502
Administration	416,871	193,813	282,745	102,352
Total Expenditures	<u>2,612,242</u>	<u>2,355,284</u>	<u>1,121,463</u>	<u>2,544,595</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>160,527</u>	<u>(141,867)</u>	<u>(751,939)</u>	<u>1,183,779</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	46,067		755,000	
Transfers To Other Funds	(5,995)			(758,467)
Total Other Financing Sources (Uses)	<u>40,072</u>		<u>755,000</u>	<u>(758,467)</u>
Net Change in Fund Balances	200,599	(141,867)	3,061	425,312
Fund Balances - Beginning	2,054,256	1,782,061	20,208	2,596,774
Fund Balances - Ending	<u>\$ 2,254,855</u>	<u>\$ 1,640,194</u>	<u>\$ 23,269</u>	<u>\$ 3,022,086</u>

The accompanying notes are an integral part of the financial statements.

UNION COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2012  
 (Continued)

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 1,982,012
	291,248
	274,164
	14,712
257,003	6,379,598
	179,873
	205,625
	13,855
<u>257,003</u>	<u>9,341,087</u>
	2,036,748
21,000	1,447,404
	368,278
40,789	429,621
	472,881
	2,004,840
	73,763
165,681	317,605
	714,133
	995,781
<u>227,470</u>	<u>8,861,054</u>
<u>29,533</u>	<u>480,033</u>
5,995	807,062
<u>(42,600)</u>	<u>(807,062)</u>
<u>(36,605)</u>	
(7,072)	480,033
55,343	6,508,642
<u>\$ 48,271</u>	<u>\$ 6,988,675</u>

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**UNION COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$	480,033
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		1,339,945
Depreciation Expense		(1,422,448)
Decrease in Receivables		(17,882)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. However, in the Government-Wide Statements, the principal payments reduce the liability and therefore have no effect on net assets.

Financing Obligations Principal Payments		35,000
Bond Principal Payments		145,000

Change in Net Assets of Governmental Activities	\$	559,648
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**UNION COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**



**UNION COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2012**

	<u><b>Business-Type Activity</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,950
Total Current Assets	<u>5,950</u>
<b>Net Assets</b>	
Unrestricted	<u>5,950</u>
Total Net Assets	<u><u>\$ 5,950</u></u>

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**UNION COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<u><b>Business-Type Activity</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 93,768
Total Operating Revenues	<u>93,768</u>
<b>Operating Expenses</b>	
Cost of Sales	69,787
Sales Tax	1,242
Recreation and Vocation	39,360
Other Expenses	81
Inmate Withdraws and Refunds	<u>10,231</u>
Total Operating Expenses	<u>120,701</u>
Operating (Loss)	<u>(26,933)</u>
Change In Net Assets	(26,933)
Total Net Assets - Beginning	<u>32,883</u>
Total Net Assets - Ending	<u><u>\$ 5,950</u></u>

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



**UNION COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**

	<u><b>Business-Type Activity</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Cash Flows From Operating Activities</b>	
Cash Received From Customers	\$ 93,768
Cash Payments to Vendors	<u>(120,701)</u>
Net Cash Provided (Used) By Operating Activities	<u>(26,933)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(26,933)
Cash and Cash Equivalents - July 1, 2011	<u>32,883</u>
Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 5,950</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	<u>(26,933)</u>
Total Cash Provided (Used) By Operating Activities	<u><u>\$ (26,933)</u></u>

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2012**



UNION COUNTY  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2012**

	<b><u>Agency Fund</u></b>
	<b>Health Reimbursement Account Fund</b>
	<hr/>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$     10,433
	<hr/>
Total Assets	10,433
	<hr/>
<b>Liabilities</b>	
Amounts Held In Custody For Others	10,433
	<hr/>
Total Liabilities	10,433
	<hr/>
<b>Net Assets</b>	
Total Net Assets	\$           0
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county prepares its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Union County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provided their services exclusively or almost entirely to the primary government, or their governing bodies are substantially the same as the primary government. The county has no component units.

**C. Union County Elected Officials**

Kentucky Law provides for election of the officials below from the geographic area constituting Union County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Union County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severance taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The government also had the following non-major funds: State Grant Fund, Federal Grant Fund and Debt Service Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, and Federal Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted or committed for specific purposes.

**Debt Service Fund:**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Enterprise Fund:**

The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the County in the Health Reimbursement Account Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only, therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Health Reimbursement Fund - This fund accounts for services provided to the county's employees as a benefit.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, building improvements, furniture and office equipment, machinery and equipment, vehicles and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	50
Buildings and Building Improvements	\$ 25,000	50
Machinery and Equipment	\$ 10,000	15
Vehicles	\$ 10,000	5
Infrastructure	\$ 10,000	12-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the County Judge/Executive to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information (Continued)**

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Union County Fiscal Court:

West Kentucky Regional Industrial Authority

The Union County Fiscal Court (Fiscal Court) has retained an ongoing financial interest in the West Kentucky Regional Industrial Authority (Industrial Authority). The Industrial Authority is a joint venture between the Union County Fiscal Court and Webster and McLean County Fiscal Courts. Upon dissolution of the Industrial Authority, assets will be returned to the participating Fiscal Courts on a pro-rata basis.

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the county's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 3. Receivable**

The Union County Fiscal Court (lender) entered into a promissory note with Breckinridge Services, Inc. (borrower) to pay the Union County Fiscal Court, the principal amount of \$1,000,000 or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment is made in full. The borrower will pay interest at an annual rate of 4.5%. If, in October 2028, the borrower still owes an amount under this note, the borrower will pay those amounts in full on that date, which is called the "Maturity Date". During the first 24 months, beginning with the first advance on this note the borrower will make interest payments only. Beginning on the 25<sup>th</sup> month following the 1<sup>st</sup> advance the borrower will pay principal and interest by making a payment each month. The balance at June 30, 2010 was \$1,000,000. The payments and interest accrual were suspended after February 1, 2011 on mutual oral agreement between both parties. The deferment of payments until such time as the County request that payments resume. In the event the County makes a request for the payments to resume, Breckinridge Services, Inc. will be notified not less than sixty (60) days prior to the first payment being due to the County. Principal outstanding after the February 1, 2011 payment was \$999,751. The receivable as of June 30, 2012 totals \$999,751.

**Note 4. Interfund Transfers**

	General Fund	LGEA Fund	Non-Major Governmental Funds	Total Transfers In
Jail Fund	\$	\$755,000	\$	\$ 755,000
General Fund		3,467	42,600	46,067
Non-Major Funds	5,995			5,995
Total Transfers Out	\$ 5,995	\$758,467	\$ 42,600	\$ 807,062

Reasons For Transfers:

1. To move resources from the General Fund,  
for budgetary purposes, to the fund that will expend them;
2. To return unused resources, for budgetary purposes, to the General Fund.



**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 478,485	\$ 100,000	\$	\$ 578,485
Total Capital Assets Not Being Depreciated	478,485	100,000		578,485
Capital Assets, Being Depreciated:				
Buildings	5,849,619	60,000		5,909,619
Other Equipment	637,278			637,278
Vehicles and Equipment	3,627,619	247,184		3,874,803
Infrastructure	43,084,704	932,761		44,017,465
Total Capital Assets Being Depreciated	53,199,220	1,239,945		54,439,165
Less Accumulated Depreciation For:				
Buildings	(1,505,700)	(92,005)		(1,597,705)
Other Equipment	(162,475)	(20,373)		(182,848)
Vehicles and Equipment	(2,756,342)	(167,568)		(2,923,910)
Infrastructure	(24,310,806)	(1,142,502)		(25,453,308)
Total Accumulated Depreciation	(28,735,323)	(1,422,448)		(30,157,771)
Total Capital Assets, Being Depreciated, Net	24,463,897	(182,503)		24,281,394
Governmental Activities Capital Assets, Net	\$ 24,942,382	\$ (82,503)	\$ 0	\$24,859,879

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 60,392
Protection to Persons and Property	110,502
Social Services	26,319
Recreation and Culture	21,986
Roads, Including Depreciation of General Infrastructure Assets	<u>1,203,249</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,422,448</u>

**Note 6. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2003**

On March 19, 2003, the Union County Fiscal Court issued General Obligation Refunding Bonds, Series 2003 in the amount of \$1,630,000. The bonds were dated February 1, 2003, payable semi-annually on March 1 and September 1, beginning September 1, 2003. The interest rate on the bonds ranges from 1.00% to 3.70%. The bonds were issued in denominations of \$5,000 each or integral multiples thereof and mature at various dates beginning February 1, 2004 through February 1, 2015. The bonds are subject to early redemption prior to maturity. Principal outstanding as of June 30, 2012 was \$520,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 150,000	\$ 15,775
2014	155,000	10,513
2015	155,000	5,010
2016	<u>60,000</u>	<u>1,110</u>
Totals	<u>\$ 520,000</u>	<u>\$ 32,408</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. Financing Obligations - Economic Development**

On September 22, 2008, the Union County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the sum of \$1,000,000 at a 4.007% effective interest rate. The financing obligation is to finance the construction of a nursing home facility located in Union County. The maturity date of the obligation is January 20, 2029. The balance of the obligation at June 30, 2012 was \$860,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 40,000	\$ 35,338
2014	40,000	33,682
2015	40,000	32,019
2016	40,000	30,410
2017	45,000	28,627
2018-2022	240,000	114,331
2023-2027	285,000	60,130
2028-2029	130,000	6,504
Totals	<u>\$ 860,000</u>	<u>\$ 341,041</u>

**C. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 665,000	\$	\$ 145,000	\$ 520,000	\$ 150,000
Financing Obligations	<u>895,000</u>		<u>35,000</u>	<u>860,000</u>	<u>40,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 1,560,000</u>	<u>\$ 0</u>	<u>\$ 180,000</u>	<u>\$ 1,380,000</u>	<u>\$ 190,000</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 7. Commitments and Contingencies**

**A. Ambulance Service Contract**

Union County is currently operating under a lease agreement with the Union County Methodist Hospital regarding ambulance service for Union County including garage facilities. The contract states the County is liable for monthly deficits of the ambulance service. The contract provides no maximum expense for which the County is liable. During fiscal year ended June 30, 2012, the County paid \$54,544 to the Union County Methodist Hospital for ambulance support.

**B. Solid Waste Interlocal Agreement**

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, Union County entered into an interlocal agreement with Henderson and Webster Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. Union County is responsible for 20% of the Solid Waste Recycling Facility and Program operating budget. The expense incurred by Union County under this agreement for fiscal year ended June 30, 2012, was \$6,050.

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.96 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.76 percent.

The county's contribution for FY 2010 was \$352,115, FY 2011 was \$381,399, and FY 2012 was \$448,693.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Deferred Compensation**

On June 24, 1986, the Union County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**  
**(Continued)**

**Note 10. Insurance**

For the fiscal year ended June 30, 2012, Union County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**UNION COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2012**





**UNION COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

June 30, 2012

	State Grants Fund	Debt Service Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,332	\$ 37,939	\$ 48,271
Total Assets	<u>10,332</u>	<u>37,939</u>	<u>48,271</u>
<b>FUND BALANCES</b>			
<b>Restricted For:</b>			
Protection to Persons and Property	10,332		10,332
Debt Service		<u>37,939</u>	<u>37,939</u>
Total Fund Balances	<u>\$ 10,332</u>	<u>\$ 37,939</u>	<u>\$ 48,271</u>

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2012**



**UNION COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2012**

	<b>State Grants Fund</b>	<b>Federal Grants Fund</b>	<b>Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 10,169	\$ 77,394	\$ 169,440	\$ 257,003
Total Revenues	<u>10,169</u>	<u>77,394</u>	<u>169,440</u>	<u>257,003</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	21,000			21,000
General Government		40,789		40,789
Debt Service			165,681	165,681
Total Expenditures	<u>21,000</u>	<u>40,789</u>	<u>165,681</u>	<u>227,470</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(10,831)</u>	<u>36,605</u>	<u>3,759</u>	<u>29,533</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds		5,995		5,995
Transfers To Other Funds		(42,600)		(42,600)
Total Other Financing Sources (Uses)		<u>(36,605)</u>		<u>(36,605)</u>
Net Change in Fund Balances	(10,831)		3,759	(7,072)
Fund Balances - Beginning	21,163		34,180	55,343
Fund Balances - Ending	<u>\$ 10,332</u>	<u>\$ 0</u>	<u>\$ 37,939</u>	<u>\$ 48,271</u>

The accompanying notes are an integral part of the financial statements.

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**UNION COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**





**UNION COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**

**For The Year Ended June 30, 2012**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,798,269	\$ 1,798,269	\$ 1,982,012	\$ 183,743
In Lieu Tax Payments	143,000	143,000	126,169	(16,831)
Excess Fees	196,000	196,000	274,164	78,164
Licenses and Permits	12,250	12,250	13,662	1,412
Intergovernmental Revenue	231,900	467,493	351,715	(115,778)
Miscellaneous	17,500	17,500	20,302	2,802
Interest	19,000	19,000	4,745	(14,255)
Total Revenues	2,417,919	2,653,512	2,772,769	119,257
EXPENDITURES				
General Government	1,824,843	1,897,432	1,747,380	150,052
Protection to Persons and Property	129,576	112,182	105,658	6,524
General Health and Sanitation		188,458	188,457	1
Social Services	6,187	6,187	1,952	4,235
Debt Service	155,748	158,824	151,924	6,900
Administration	453,840	442,704	416,871	25,833
Total Expenditures	2,570,194	2,805,787	2,612,242	193,545
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(152,275)	(152,275)	160,527	312,802
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	29,773	29,773	46,067	16,294
Transfers To Other Funds	(29,773)	(29,773)	(5,995)	23,778
Total Other Financing Sources (Uses)			40,072	40,072
Net Changes in Fund Balance	(152,275)	(152,275)	200,599	352,874
Fund Balance - Beginning	152,275	152,275	2,054,256	1,901,981
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,254,855	\$ 2,254,855

UNION COUNTY  
 BUDGETARY COMPARISON INFORMATION  
 Other Information - Modified Cash Basis  
 For The Year Ended June 30, 2012  
 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ 500	\$ 500	\$ 1,050	\$ 550
Intergovernmental Revenue	2,125,406	2,553,406	2,176,141	(377,265)
Miscellaneous	19,500	19,500	32,020	12,520
Interest	18,000	18,000	4,206	(13,794)
Total Revenues	2,163,406	2,591,406	2,213,417	(377,989)
<b>EXPENDITURES</b>				
Roads	1,318,749	2,256,116	2,004,840	251,276
Capital Projects	586,750	586,750	156,631	430,119
Administration	298,746	246,174	193,813	52,361
Total Expenditures	2,204,245	3,089,040	2,355,284	733,756
Net Changes in Fund Balance	(40,839)	(497,634)	(141,867)	355,767
Fund Balance - Beginning	40,839	497,634	1,782,061	1,284,427
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,640,194	\$ 1,640,194

**UNION COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 275,300	\$ 302,650	\$ 314,420	\$ 11,770
Charges for Services	41,000	41,000	46,126	5,126
Miscellaneous	19,000	19,000	8,970	(10,030)
Interest	15	15	8	(7)
Total Revenues	<u>335,315</u>	<u>362,665</u>	<u>369,524</u>	<u>6,859</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	829,605	875,437	838,718	36,719
Administration	<u>320,950</u>	<u>302,468</u>	<u>282,745</u>	<u>19,723</u>
Total Expenditures	<u>1,150,555</u>	<u>1,177,905</u>	<u>1,121,463</u>	<u>56,442</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(815,240)</u>	<u>(815,240)</u>	<u>(751,939)</u>	<u>63,301</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>780,590</u>	<u>780,590</u>	<u>755,000</u>	<u>(25,590)</u>
Total Other Financing Sources (Uses)	<u>780,590</u>	<u>780,590</u>	<u>755,000</u>	<u>(25,590)</u>
Net Changes in Fund Balance	(34,650)	(34,650)	3,061	37,711
Fund Balance - Beginning	<u>34,650</u>	<u>34,650</u>	<u>20,208</u>	<u>(14,442)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,269</u>	<u>\$ 23,269</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON INFORMATION**  
**Other Information - Modified Cash Basis**  
**For The Year Ended June 30, 2012**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 160,000	\$ 160,000	\$ 165,079	\$ 5,079
Intergovernmental Revenue	4,025,971	4,332,671	3,280,319	(1,052,352)
Charges for Services	115,000	115,000	133,747	18,747
Miscellaneous	93,000	96,000	144,333	48,333
Interest	1,950	1,950	4,896	2,946
Total Revenues	4,395,921	4,705,621	3,728,374	(977,247)
<b>EXPENDITURES</b>				
General Government	388,642	435,552	289,368	146,184
Protection to Persons and Property	686,359	715,075	482,028	233,047
General Health and Sanitation	378,812	426,956	179,821	247,135
Social Services	385,873	442,317	386,880	55,437
Recreation and Culture	516,552	530,355	472,881	57,474
Roads	160,408	160,408		160,408
Bus Services	120,000	120,000	73,763	46,237
Debt Service	100,000	68,868		68,868
Capital Projects	3,733,772	4,100,083	557,502	3,542,581
Administration	168,120	140,374	102,352	38,022
Total Expenditures	6,638,538	7,139,988	2,544,595	4,595,393
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,242,617)	(2,434,367)	1,183,779	3,618,146
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(780,590)	(780,590)	(758,467)	22,123
USDA Rural Development Loan	3,000,000	3,000,000		(3,000,000)
Total Other Financing Sources (Uses)	2,219,410	2,219,410	(758,467)	(2,977,877)
Net Changes in Fund Balances	(23,207)	(214,957)	425,312	640,269
Fund Balances - Beginning	23,207	214,957	2,596,774	2,381,817
Fund Balances - Ending	\$ 0	\$ 0	\$ 3,022,086	\$ 3,022,086

**UNION COUNTY**  
**NOTES TO OTHER INFORMATION**

**June 30, 2012**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





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E-MAIL: wtichenor@tichenorassociates.com

The Honorable Jody L. Jenkins, Union County Judge/Executive  
Members of the Union County Fiscal Court

Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 9, 2012. Union County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Union County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Union County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Union County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

November 9, 2012

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**UNION COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2012**

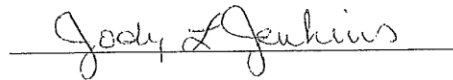
Appendix A



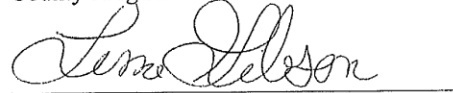
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
UNION COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

The Union County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, reading "Goady L. Jenkins", is written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, reading "Linda Helson", is written over a horizontal line.

County Treasurer

